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**AN EVALUATION OF THE PROMOTION OF IMMIGRANT
ENTREPRENEURSHIP IN THE HAIFA AREA**

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1. Introduction

The recent wave of immigration from the former Soviet Union has greatly increased the potential of the Israeli work-force. Currently new immigrants constitute 10% of the work force in the State of Israel (Immigration and Absorption of Former-Soviet Union Jewry, 1994). As yet, the production capacity of the economy is not sufficient to absorb the increase in human capital. The current underemployment of the labor force has created a need for new employment opportunities, which in turn call for the development of alternative means of employment generation. Engineers and scientists have the maximal level of unemployment. One possible employment solution is the promotion of entrepreneurial initiative¹.

Russian origins (former Soviet Union Jewry) have created a very specific host environment. Both spatially and socially segregated from the veteran population, the immigrant society is the product of the continuous transfer of people, life styles, and culture between the former USSR and Israel. There are about 20 Russian magazines and newspapers in Israel, 75% of immigrant families have had cable TV; 400, 000 new immigrants were already abroad (mostly to the former USSR); more than 200,000 new immigrants maintained the former USSR citizenship². The short history of "Russian" enterprises in Israel had given for us some typical examples of immigrant activities: *from "ethnic" small service businesses such as "Russian" shops up to business and public organizations such as Association of new businessmen.*

The former Soviet immigrants are seen to lack business experience and financial capital (Lerner and Hendeles, 1993). It should be recognized, however, that periods of liberalization of the Soviet economy, beginning in the late 1950's, did create conditions for the regeneration of entrepreneurial initiative. Until the mid- 1980's, private entrepreneurship was limited to the black market, but became a legal activity with the advent of Gorbachev's reforms³. The business experience of the immigrant population should not be underestimated. The wave of Soviet immigrants in the period 1988-1991 have come from the situation with lack the resources to invest in the economy (Flug and others, 1993). Furthermore, the privatization of capital ownership in 1992 has made it possible for immigrants to own apartments and other forms of

¹ In the case of Haifa, for example, during the three years since 1989 there was an in-migration of over 58, 645 new immigrants of which over 24, 500 subsequently out-migrated (Demography, 1993).

² This information was obtained during our expert study (July - November 1994).

³ For reference see: Glasiev and Kanovski, 1989, Glasiev, 1993, Neishul, 1990, Neishul, 1993.

capital, in most of the republics of the former Soviet Union. Raising of the apartment's market from the 1993 year is one of these signs (Annual report of the Bank Israel, 1994). For those new immigrants who emigrated after 1992, such capital holdings may serve to support immigrant business initiative here in Israel.

The last two years have witnessed the establishment of an infrastructure of services for the promotion of entrepreneurship in Israel. Primarily the result of philanthropic initiative, there is increasing government participation in and recognition of the infrastructure being developed. Among other initiatives, such as small business loan funds and educational programs, the infrastructure includes a network⁴ of small business development centers (SBDCs). The centers aim to assist potential entrepreneurs, both new immigrants and veteran Israelis, in all stages of starting-up and running a new business. The SBDC ("MATI") concept was introduced, independently, by both the American Joint Distribution Committee⁵ and the Jewish Agency. Following their lead, the Ministry of Immigrant Absorption is now extensively involved in the funding of the centers, together with other funding partners⁶. The participation of the local government authority is a prerequisite for the start-up of a center.

This report presents an evaluation of the Haifa SBDC ("MATI"); one of the larger centers⁷. An understanding of the center's operations will provide implications for improvements in the services provided by the center itself and throughout the SBDC ("MATI") network. The Haifa Center was founded in November, 1991. At the outset, a staff of three was employed in center operations. Today the number of employees is seven. During the first few months of operation new immigrants constituted a large

⁴ The centers described are members of the "MATI" group, associated by their membership in a monthly forum. The forum provides an arena for the center managers to discuss, among other things, the sharing of information and the standardization of services. Forum membership requires certain operational standards as regard the management of the center, the level of funding and the services provided. Recognized as an influential lobbying group, the MATI model has been adopted by the government for future development in the area of small business development. MATI is a representation in Latin letters of the Hebrew abbreviation SBDC. Although other initiatives do provide services to small business, subsequent references to SBDCs in this paper will correspond to forum members only.

⁵ The first center was established in Tel Aviv in 1990, and to date there are sixteen centers in the network distributed nationwide.

⁶ Sources of funding vary between centers and also include the Zionist Forum, the Israeli Chamber of Commerce and Industry, businessmen's clubs and the local authority (Incubators for Business Enterprises, 1992).

⁷ "MATI" Haifa received almost 2500 inquiries up to now, second only to the "MATI" in Jerusalem with over 4500.

proportion of the Center's clientele (60-70%). Although the current new immigrant proportion of the Center's inquiries has dropped to around 30%, this is higher than the new immigrant proportion of the local population (around 10%). The same proportion is obtaining in the most other SBDC ("MATI"). Currently, the Haifa Center is observing about 100 small, new immigrant businesses, half of which are covered by the present research.

Primarily, the center secretary must evaluate the new immigrant's knowledge of Hebrew and the suitability of the business idea to SBDC ("MATI") objectives⁸. On the basis of this first evaluation the inquiry may be referred to one of the center's business-consultants. The subsequent evaluation by the business consultant must consider the viability of the business idea and must assess legal and other bureaucratic constraints, the availability of start-up capital and the suitability of the entrepreneur's experience and skills to his/her prospective venture. On approval of the business consultant the inquiry will finally be referred to the center manager who will conduct an expert evaluation of the new immigrant's entrepreneurial potential. The volume of inquiries passing through the overall filter is estimated by SBDC ("MATI") managers to be between 15- 20%.

⁸ A satisfactory knowledge of Hebrew is seen as necessary for the successful operation of business in Israel. In addition, "MATI" objectives do not include the assistance of high technology, international commerce nor large projects.

2. Research Goals

The goals of the current research are to establish the entrepreneurial interests and self estimated ability for business success of the immigrant population. In the current research four principle hypotheses may be defined. Overall, our goal was to obtain an indication of immigrant business potential and to assess the ability of SBDC ("MATI") to reach and assist target populations, based on an evaluation of MATI operations from the clients' perspective. Accordingly we may describe our general hypothesizes as;

1. Entrepreneurship provides a means of regaining socio-economic status for new immigrants.
2. Immigrants from the former Soviet Union possess significant entrepreneurial capabilities⁹.

Entrepreneurial potential was evaluated according to the subjective information obtained from the new immigrants themselves. Two additional hypothesizes connected with entrepreneurial support system may be described as:

3. New immigrants demand entrepreneurial support.
4. SBDC (MATI) services are suitable for immigrant demands.

⁹ This goes against the widespread belief that the entrepreneurial potential of this population is low (Desai, 1987, Horowitz, 1989, Lerner and Hendeles, 1993).

3. Methodology

The operations of the Haifa SBDC ("MATI") were studied over an 18 month period, commencing October 1992. A survey of the Center's operations included a description of the methods of approaching potential customers and the evaluation (or 'filtering') mechanisms at various stages of the processing of inquiries. The investigation covers only procedures related to new immigrants. An evaluation framework was developed to provide the structure of the questionnaire, based on the evaluation filters employed by the SBDC ("MATI") for the processing of inquiries.

The questionnaire was addressed to immigrants from the former USSR only and was written in Russian¹⁰. The questionnaire addressed two sample groups, SBDC customers and potential customers. Real customers were those respondents who answered directly or indirectly that they had made requests for entrepreneurial assistance from the Haifa SBDC ("MATI"). "Potential customers" were those respondents who had had no contact with the Center, but were found to be seeking information and assistance to improve their socio-economic circumstances.

The questionnaire was divided into two parts. The first part sought information from all respondents concerning the absorption of new immigrants in the Haifa area and the entrepreneurial potential of new immigrants and their interest in pursuing entrepreneurship as an employment solution. The second part of the questionnaire was addressed to SBDC ("MATI") real customers only and studied the effects of the pre-migration and post-migration characteristics on the evaluation of the Center as an entrepreneurial support system; including respondent acquaintance with the center and their perception of center activities.

Distribution of the questionnaire began in February, 1993. The study was directed at new immigrants in the catchment area of MATI Haifa. A total of 281 replies were received¹¹ of which 102 respondents were from SBDC -Haifa real customers and 173 from potential customers. Detailed letters were received from 30 respondents which were informative with regards to difficulties of immigrant entrepreneurship. It was necessary to discount six questionnaires as unsuitable for the purposes of this study, including three replies from Latin American immigrants who requested

¹⁰ The questionnaires were distributed with an accompanying explanatory letter and instructions, both in Russian.

¹¹ Replies were returned in pre-paid envelopes to the Klutznick Center for Urban and Regional Studies at the Technion. The current analysis includes those replies received before the end of May 1993.

questionnaires in Spanish. Although the questionnaires were distributed locally, replies were received from all over Israel; from Kiriati-Shmone to Eilat¹². The geographical distribution of the replies provides an indication of the interest of new immigrants in entrepreneurial information.

Table 1. Respondent Distribution.

Groups of respondents	All	Business Owners	Respondents without business
Potential customers	173	20	153
Real customers	102	42	60
All respondents	275	62	213

Table 1 presents the respondents groups defined for analysis. In addition to the two principle respondent groups defined above, a third group of respondents "Business Owners" is defined as those respondents who already had experience running their own business (62 respondents). Among this group more than half (68%) were real customers. Remarks are also made concerning the response of special population groups such as women and mature respondents (of 45 years of age and above) where results illustrate significant differences with the overall respondent group.

¹² Among the replies from the potential customer group there were a number of replies received from respondents who had visited MATIs other than MATI Haifa. These replies were not included in the results regarding MATI Haifa, although general commentaries on the entrepreneurship support structure as a whole were included.

4. Results¹³

An encouraging result from the survey was the extent of interest shown in entrepreneurship, whereby more than half of the respondents expressed an interest in business and only 35% had no current intention of opening their own business.

4.1. Respondent Demographic Characteristics¹⁴

The main characteristics of real and potential customers are similar (see Table 2). Most of the total respondent group were men (71%). The proportion of male respondents over the age of 45 (middle-aged) was higher still (81%). The female proportion of real customers was significantly less than that of potential customers.

Two thirds of the respondents were married. 25% of the female respondents were single parents. This percentage was significantly greater than the percentage of male single parents (3%). 39% of the respondents were of a "problematic age" (over 45) as regards employment opportunities.

Table 2. Target Population Characteristics¹⁵

Replies	All	Potential Customers	Real Customers
Gender:			
male	71%	62%*	84%*
female	29%	38%*	16%*
Marital status:			
married	76%	75%	77%
single parent	9%	10%	8%
Mean age	40.6	39.9	42
Years of education	14.4	14.6	14.2
Manual workers	16%	14%	21%

¹³ Results of the research were processed using Microsoft "Excel", Version 2.2. The statistical analysis of the sample was based on the Ultimate Integrated Data Analysis & Presentation System "StatView 4.0" (analysis of variance and nonparametric statistics) for PC "Macintosh".

¹⁴ (including gender, age, education, and marital status)

¹⁵ Here and in other tables the level of statistical significance is more than 95%.

Most of the respondents have a higher education (78%). Women have less years of education (7% with Ph.D.) than the overall average (19% with Ph.D.). Immigrants with only a basic education were of reference. Only two respondents belonged to this group with low level of education, all of them were real customers with start-up business.

More than half of the respondents (56%) described their profession as technical and 23% as pertaining to the field of humanities, manual workers formed only 16% of the sample. The female proportion of respondents with a technical profession is significantly less (41%). The proportion of respondents who described their profession as manual or in the field of humanities is significantly larger among real customers and higher still for businessmen as compared to the respondent group as a whole. This difference may relate to the suitability of manual professions to self-employment and the attractiveness of entrepreneurship in the face of a lack of alternative employment opportunities for those with a humanities profession.

4.2. Respondent Economic Circumstance¹⁶

The economic circumstances of the respondents are shown in table 3. A large proportion of the families (40%) may be described as "middle class" among the respondent group, with a monthly income of 2000-4500 NIS. The group with the highest family monthly income (over 4500 NIS) includes 11% of respondents. The mean family monthly income of women-respondents is 2062 NIS and is statistically less than that of male respondents. This difference is not significant, however, between female and male real customers. The mean family income of respondents over 45 years of age is 2332 NIS. This is significantly lower than the monthly income for younger respondents, although the difference is, again, not significant for real customers.

Real customers include a larger proportion of the high income respondent group (above 4500 NIS) and a smaller proportion of those with a low income (below 1000 NIS) relative to potential customers. These differences are statistically significant. Monthly household income is statistically dependent on the period of immigration. Real customers enjoy significantly better economic circumstances than potential customers for all periods of immigration. For a number (18%) of real

¹⁶ (including employment status and financial situation)

customers total income is a combination of entrepreneurial pursuits and other employment. The same is for 44% of businessmen.

Half of the respondents stated that they were currently employed. Only 30% of all respondents and less than 21% of women were currently employed in their profession. Significantly more men than women were employed in their profession.

Table 3. Respondent Economic Circumstances.

Replies	All	Potential Customers	Real Customers
Mean monthly household income	2380 NIS	2275 NIS	2559 NIS.
Professional employment	30%	28%	33%*
Employment in own business	8%	3%*	16%*
Car ownership	46%	44%	50%
Mean monthly loan repayments	360 NIS	308 NIS*	449 NIS*
Relatives:			
professional employment	27%	24%	30%*
unemployed	23%	23%	22%

A third of the respondents described themselves as unemployed (10% of respondents were receiving unemployment benefit). The proportion of respondents unemployed (official and self estimation) was highest among real customers and only 3% of businessmen received unemployment benefit. Two thirds of the businessmen (66%) see their business as a secondary source of income, of which half (32% of all businessmen) continued to work in their profession. Only 52% of employed respondents stated that their salary was the principle source of income.

Almost half of the respondents owned new cars. There is no significant difference of new car ownership between the various groups. The groups with the lowest levels of new car ownership were women and middle-aged respondents (both groups 36%) . Only four cars were bought for work purposes; 2 of which were owned by businessmen and 2 were used for carrying and transporting goods (although these two respondents did not consider themselves to be engaged in business). 57% of the respondents that had purchased new cars did so with the help of loan. The average monthly loan repayments for new car owners was 786 NIS.

The average sum of monthly loan repayments for respondent households was 360 NIS (without mortgage repayments). For respondents with loans, the average

was 739 NIS. Loan repayments constitute a third of the total income for 49% of our respondents' families. The highest value of loan repayments pertained to businessmen and real customers. Whilst average loan repayments for real customers (789 NIS) is significantly higher than that for the overall respondent group, businessmen have the highest monthly loan repayments (848 NIS). Only 14% of respondents obtained loans for business purposes, whilst 45% were to facilitate the purchase of apartments.

It is generally believed that entrepreneurship is the alternative means of employment for those who can not find employment in their profession. *For 46% of businessmen respondents entrepreneurship provided the sole opportunity for them to work their profession. However, our results indicate that more real customers were employed in their profession than in any other respondent group.* The same may be said for the family members of real customers.

4.3. Integration into Israeli Society¹⁷

Most of our respondents had been new immigrants in Israel for more than two years (60%). Main reason of that - the maximal wave of immigration in 1990-1991. The proportion of middle-aged respondents (over 45 years of age) with a period of immigration of over two years was significantly greater than that of other groups (mean 2.9 years).

Only 6% of respondents declared that they were fluent in Hebrew, all of whom had lived in Israel for more than 5 years. *Those, with "vatic" residence, were not covered with our questionnaire.* Less than 10% of respondents believed that employment possibilities in their profession related to their knowledge of Hebrew. In this respect, the level of knowledge of Hebrew was found to be statistically significant only as regards the period of immigration. 3% of respondents, all of them over 45 years of age, indicated that they had no knowledge of Hebrew.

Women were found to be more successful in their command of Hebrew, whereby 46% of female respondents indicated that they could speak, read and write in Hebrew (differences between groups are presented in Table 4). Most of our respondents preferred to obtain information from MATI in Russian. Those real

¹⁷ (including length of residence, language skills)

customers who were prepared to receive information in Hebrew were those who had the ability to speak, read and write in Hebrew.

Table 4. Absorption.

Replies	All	Potential Customers	Real Customers
Mean period of immigration	2.6	2.5	2.7
Ability to speak, read and write in Hebrew	36%	35%	38%
Language preferences for business information:			
Hebrew	19%	9%*	34%*
Russian	80%	75%	88%*
Perceived opportunities of employment in profession	56%	54%	58%
Self- evaluation of absorption:			
successful	14%	13%	15%
normal	58%	61%	52%*
Home owners	39%	36%	44%
Income:			
social benefit	17%	21%*	11%
unemployment benefit	10%	9%	12%
salary	52%	52%	51%*

The main factor hindering absorption appears to be age. Perceived difficulties in finding professional employment were significantly higher for middle-aged respondents of which 79% did not believe that they would be able to work in their profession in Israel. Difficulties cited by all respondents include nepotism and discrimination influencing their socio-economic integration and the absence of a demand for their professions restricting their employment opportunities.

Most of the respondents have a higher education (78%), of which 44% *do not believe that they will be able to find a job in Israel in their profession*. This population have consisted the significant entrepreneurship potential. The proportion of respondents working in their profession corresponds to official statistics regarding new immigrant employment (31%) and is significantly higher among real customers (37%) and higher still for businessmen (42%). The high proportion of business owners working in their profession may be partially accounted for by those starting up businesses in their professional field. Only 20% of women-respondents worked in their profession and 46% of women respondents did not believe that they would find professional employment in Israel.

A comparison of professional work opportunities for different educational groups suggests that 60% of those respondents with Ph.D. qualifications were working or hoped to work in their profession (most of these possibilities connected with the support of the Center for Absorption in Science, Ministry of Immigrant Absorption, State of Israel). More than half of those respondents working in their profession describe their field as technical. Over 80% of respondents not working in their profession were from the field of humanities. The highest unemployment rate (24%) is also among humanities professionals.

Among potential customers only 21% evaluated their integration into Israeli society as unsuccessful. This percentage is significantly higher for real customers (33%) who often added extremely emotive commentaries to their replies. The reasons for this negative evaluation may relate to the higher expectations of this group, as their economic situation is better than that of potential customers. Middle-aged respondents and women evaluated their integration into Israeli society as significantly less successful than the overall respondent group (28% and 27% unsuccessful respectively). The negative estimations of these two groups may partly relate to their difficult economic situation.

The percentage of homeowners was the lowest among women (37%) and highest among businessmen (50%). Among respondents who had been new immigrants for less than one year 6% had bought an apartment, between 1 to 2 years - 25%, between 2 to 5 years - 48%, and more than 5 years - 84%.

The proportion of real customers receiving a salary was the same as that for the overall respondent group (52%). This proportion was the greatest for respondents over the age of 45 (55%) and the smallest for women (47%). From the groups studied, the percentage claiming social benefit was highest among women (26%) and lowest among businessmen (5%). The percentage of respondent groups claiming unemployment benefit is the highest for real customers and the lowest for middle-aged respondents (7%). From the overall respondent group, 4% received income from "absorption baskets", 10% received income from business and 10% receive unemployment benefit.

4.4. Entrepreneurial Aspirations

Around half of the respondents with a higher education do not believe that they would be able to find a job in their profession in Israel. This problem may be compared to that encountered by the wave of Russian immigrants who arrived in Israel in the 1970's and 80's; of whom 40% found it necessary to change their occupation. (Flug, Kasir and Ofer, 1993). *The current problem is more severe due to the inability of the current economic structure to absorb the quantity and quality of labor flooding the Israeli economy.* In light of this, entrepreneurship may provide a much needed solution to the employment problems of a large proportion of the new immigrant population.

Table 5. Entrepreneurship.

Replies	All	Potential Customers	Real Customers
	%		
Intention to open own business	76	65	96
Business experience:	42	27*	68*
in Israel	9	6*	14*
in Russia	28	18*	45*
as a business partner	18	13*	26*
Reasons for entrepreneurship:			
ambitions	27	18*	42*
lack of professional employment	13	12	17
desire for independence	40	29*	58*
Demand for business advice	70	63*	82*
Perceived sources of business assistance:			
the Ministry of Immigration	9	8	12*
the Jewish Agency	5	5	6
"MATT" business-consultants	18	10*	31*
Russian partners	14	14	14
Evaluation of entrepreneurial opportunity:			
high	33	19*	57*
low	10	9	12
Business loan	11	6*	21*

In the questionnaire respondents were given four distinct opportunities to indicate that they were not interested in business. 19,5% of respondents indicated no

interest in entrepreneurship whatsoever. *65% of potential customers expressed an interest in business.* Others qualified their negative answers with conditional replies such as "not while I have a job", "not until I study Hebrew", "not until I begin to understand the situation". *Nevertheless, the proportion of immigrants interested in entrepreneurship was higher among those who were employed.* More than half of the unemployed respondents did not consider entrepreneurship to be an employment alternative. This proportion was also high among women, whereby 41% did not intend to open their own business. Single parents indicated a low level of interest in entrepreneurial activity, whilst respondents under the age of 20 (2% of respondents) demonstrated none whatsoever. Nevertheless, only 3% of those with business experience received unemployment benefit, of whom a majority indicated that entrepreneurship was a forced employment alternative.

We can not determine a correlation between employment status and the intention to open a business. Problematic respondent groups such as the unemployed, women, and the middle-aged were the least active in entrepreneurial pursuits. As we would expect, real customers were the most active, half of whom had business experience (see Table 5). Of real customers, 73% had previous business experience. This was true for significantly less women (28%). Of potential customers, 37% had previous business experience, although only 9% had never previously considered engaging in business. This further illustrates the influence of "perestroika" on public opinion regarding entrepreneurship.

The reasons given by respondents for their interest in entrepreneurship varied significantly between respondent groups. *The proportion of respondents citing a desire to increase their income was similar for all groups (25%) with the exception of women to whom it was more important (33%).* The proportion of respondents who saw entrepreneurship as a means to achieve their goals and ambitions was the highest among real customers (42%) and the lowest among women (15%). These differences in motivation may be related to the priority of needs of respective groups whereby real customers were the most affluent group, whilst women were the most economically disadvantaged group.

A lack of professional employment was significantly more important to the male businessmen as compared to the overall respondent group and was the least important for women respondents (11%). *The most frequently cited motivation for all groups was the opportunity to work independently.* Nevertheless, this reason was

cited by a far smaller proportion of potential customers than real customers (58% as compared to 29%).

The proportion of potential customers who evaluated their chances of successfully engaging in entrepreneurship to be high (19%) was significantly lower than the proportion of real customers (57%) and businessmen (63%). The role played by SBDC ("MATI") in enhancing the respondent's evaluation of his business was of no great significance. Only 6% of real customers evaluated their chances of business success as high due to SBDC ("MATI") stable support. Low estimations of potential business success by the overall respondent group related mostly to language difficulties (25%). Only 12% of real customers felt that problems of competition influenced the success of their business.

4.5. Demands for Entrepreneurial Support.

A majority of both potential and real customers expressed a *demand* for business advice. The proportion of potential customers who did not know where to seek assistance (23%) was significantly higher than the proportion of real customers (15%). *The results of both groups provide an indication of information insufficiency.* Over half of the businessmen declared that they did not *need* entrepreneurial assistance and that they could manage alone. From the potential customer group nine businessmen had obtained support from the Ministry of Immigrant Absorption. Others (18% of all businessmen) had started-up in business without the assistance of the Israeli small business support infrastructure. Real customers had less self assurance (see table 5), whilst women were the least optimistic whereby only 20% of female respondents stated that they believed they could manage to start up a new business without assistance.

The SBDC "MATI" was perceived as the primary source of assistance for all groups with the exception of potential customers, who cited Russian partners as their most important potential source. Compared with the overall respondent group and the results for both potential and real customers, the group of businessmen placed far more recognition on the other sources of institutional support. Overall, Russian partners were second to the Centre as a perceived source of business support and the Jewish Agency was least cited by all groups.

A majority of the business loans obtained were from the Ministry of Absorption (24 in number) of which three quarters were obtained by real customers. 19 of the respondents that had obtained loans were identified as businessmen. Only six respondents obtained loans from other small business loan funds, five of whom were real customers. Respondent comments suggested that it was extremely difficult for immigrants to obtain small business loans, with the exception of the Ministry of Absorption loans, without SBDC assistance.

4.6. Evaluation of the SBDC ("MATI") Support System

4.6.1. Knowledge of the Center

Although a third of the questionnaires distributed were sent to immigrants who had already expressed an interest in entrepreneurship, over half the respondents had not heard of the Haifa SBDC ("MATI"). 56% of potential customers stated that they were interested in receiving more information regarding the Center.

Of real customers; 2% stated that they had not heard of the Center (table 6), almost half were unaware of the nature of the organization and only 23% were aware of its status as a non-profit organization. The proportion of potential customers aware of the nature of the SBDC organization was 15%. This lack of awareness suggests a lack of information, which is further illustrated by the fact that only 54% of real customers were aware of the variety of services provided by SBDCs ("MATI"). This percentage was lower still for potential customers (13%). There is clearly a need for an increase in the information circulated regarding the Center and additional effort in reaching target populations.

Table 6. Perception of the Center.

Replies	All	Potential customers	Real customers	Businessmen
	%			
aware of SBDC	49	20*	98*	76*
aware of the type of support provided by SBDC	36	22*	58*	56*
aware of the nature of the SBDC organization	35	21*	58*	52*

The various organizations within the infrastructure for the support of small businesses were investigated. 25% of both potential customers and real customers

suggested that these services provide meaningful assistance. Significantly more businessmen (52%) than other respondent groups suggested that the support infrastructure was not of importance to them. 21% of real customers indicated that they had received assistance from the Center. The Israeli Chamber of Commerce and Industry and the Center were seen by respondents to influence entrepreneurial success significantly more than the other organizations mentioned. Overall, 13% believed that the support infrastructure had no influence on immigrant entrepreneurship. Real customers believed the Center to have the most influence (27%). The assistance of sources other than SBDCs ("MATI") were important for 24% of real customers and 18% of business owners.

4.6.2. Customer evaluation of SBDC ("MATI") services

Overall, 34% of our respondents had visited the Center. Initial information concerning SBDCs ("MATI") was obtained from the press by 40% of real customers. For 30% of potential customers and 8% of real customers the most important source of information was our questionnaire. The groups of real customers and businessmen cited their friends and family members as sources of information more frequently than potential customers. Referrals to the Center from friends and relatives was the initial reason for 27% of real customer inquiries. A quarter of real customers were referred to the Center by the Ministry of Immigrant Absorption. A majority of these respondents were not satisfied with the assistance they received.

Satisfaction with the assistance they received from the Center was significantly higher for those real customers with professional employment, those with business experience and those with relatively better economic circumstances. 63% of real customers believed that the business consultancy services provided by the Center should not be provided free of charge (the current policy), rather subject to a symbolic charge (30%), related to results obtained (18%) or full market rates (12%). The suggested change in the current policy was believed to increase the interest of the consultant in the success of those entrepreneurs assisted. This indicates customer perceptions of an indifference of the SBDC ("MATI") consultants to the results of the assistance given.

Real customers made the same proportion of positive and negative evaluations of the services provided ("reasonable" or "high standard" as opposed to "inadequate"). Male respondents, those respondents with higher education and those who obtained a

business loan through the Center made significantly more positive evaluations than their counterparts. Positive real customer evaluation of the assistance provided by the Center was found also to relate significantly to the level of information the respondent had regarding SBDCs ("MATI") and the extent of their need for business assistance. In this respect, those respondents who were aware of the nature of the SBDC ("MATI") organization and the services provided were more satisfied with the service they received, as were those who believed they needed business assistance. From the additional commentaries made, many negative evaluations of the services provided may be seen to relate to populations with special needs. Many strongly adverse comments were obtained from female respondents and numerous critical comments from highly educated, middle aged respondents. Nevertheless, around two thirds of real customers indicated that they wished to maintain their contacts with the Center.

Although the SBDC ("MATI") suggests that only one third of the inquiries they receive are feasible business proposals, over half of the real customers consider their business ideas to be acceptable after consultation with the Center. *18% of real customers stated that they had not pursued their business idea on the grounds that they had not obtained assistance from the Center.*

Table 7. Customer evaluation of SBDC("MATI") services.

Respondents	Real Customers	Businessmen
	%	
received the help expected	17	22
received no assistance	46	41
service evaluation:		
high standard	15	19
inadequate	33	40*
the attention they received was unhelpful	16	15
need "MATI" support after start-up:		
constantly	16	20
sometimes	42	51*
want future assistance from "MATI"		
with new ideas	25	18
for additional information	35	19*

A majority of respondents believed the optimal organizational structure for the SBDCs ("MATI") to be a few branches located in large cities. Preferences for SBDC ("MATI") business consultants included academic professionals (50%) and experienced

businessmen (29%). There was no preference for Russian speaking Israeli consultants.

5. Conclusions

In summary, *the respondent group includes mostly immigrants who have been Israeli residents for approximately three years of around 40 years of age.* There was a male majority (around 70%) in the overall respondent group. *Overall, the respondent group was highly educated and included many professional groups, in particular medical science professionals and immigrants with Ph.D. qualifications.* Weaker population groups including single parents and immigrants over the age of 45 constituted only a small part of the sample group. Considering the high level of education of the sample, command of the Hebrew language is poor (*only 36% of respondents can speak, read and write Hebrew*). Respondents did not consider their level of Hebrew to be of major importance for a career in Israel.

Our typical real customer immigrated to Israel between 2 to 5 years ago, is male, married, between 30 and 45 years of age, has a higher education or a Ph.D., can speak Hebrew but has limited reading and writing skills. His family's income is higher and his monthly loan repayments significantly more than those of other respondents. He is currently employed in his profession or a related area and considers his integration into Israeli society to be normal.

Professional employment is significantly higher among real customers (33%) as compared to potential customers (28%). In this respect, we can not conclude that an absence of employment opportunities is a major stimulation for entrepreneurship. Although apparent, financial difficulties were not seen to be an important motivation for immigrant entrepreneurship. The percentage of the respondent group receiving unemployment benefit is the same as the national average (10%). Among real customers the proportion is 12%. Both figures are significantly less than that for the whole immigrant community (30%).

The proportion of real customers considering their integration into Israeli society as "normal" or "successful" is significantly lower than that of potential customers and businessmen. Considering the better socio-economic conditions of real customers as compares to potential customers, this would imply higher expectations and possibly ambitions of the real customer group. Among women respondents, the percentage considering their absorption as normal is significantly less than the overall respondent group¹⁸. Although the socio-economic conditions of the female

¹⁸ It is worth noting the relatively large proportion of single mothers in our sample -25% of all women-respondents.

respondents were significantly worse than the overall respondent group, "businesswomen" have had better socio-economic conditions than other women and were on a par with their male counterparts.

Real customers and businessmen enjoy relatively better circumstances than other immigrant groups according to a number of socio-economic indicators. Indeed, *entrepreneurship provides a means of regaining socio-economic status for new immigrants*, as we can conclude, that the first hypothesis is true.

It is generally believed that the current wave of Soviet immigrants have limited experience of private entrepreneurship and lack the capital resources to embark upon entrepreneurial activity ("Homo soveticus"). *From the sample studied, almost half of the respondents stated that they had business experience.* Among those respondents currently engaged in entrepreneurship (businessmen), 68% had previous business experience.

Approximately half of the immigrants, who expressed a desire to open a business in Israel, have entrepreneurial experience from the former USSR. A quarter of the respondents expect to receive support for their entrepreneurial venture from their native country. The most important source of assistance for potential customers is the formation of business links with entrepreneurs based in the former Soviet Union.

The presentation of mass media and the arts in Russian, together with immigrant personal and professional relationships in Israel and the former USSR, have led to the development of a "Russian language" society. This is characterized by institutional developments such as the Association of New Entrepreneurs, formed in early 1993, whose first annual conference brought together 600 immigrant businesses from all over the country. With the increasing Russian Diaspora, this society may be seen to have developed relationships worldwide.

A major stimulus for entrepreneurship among the respondent group was the desire for independence and the pursuit of goals and ambitions. Respondents were divided into two groups, according to their entrepreneurial motivation. Those respondents employed in their profession were seen to seek the realization of their ambitions and to improve their economic situation. For others, the most important motivation was the absence of professional employment opportunities. The latter motivation was seen to be the most significant for the businessmen respondent group, namely those already actively occupied in entrepreneurial pursuits. The motivation to

work independently is of major importance for all those respondents who indicated an interest in entrepreneurship.

In summary, we may provisionally accept hypothesis two, that *immigrants from the former USSR possess significant entrepreneurial capabilities*, in view of the apparent entrepreneurial experience of the respondent group in the context of the socio-economic changes in the former Soviet Union in recent years. Furthermore, the special nature of the immigrant community and the development of a "Russian language society" may be seen to create a wide range of new opportunities for which the immigrant population are at an advantage to exploit.

Our investigation was based primarily on the real customers of MATI Haifa, but also attempted to evaluate other elements of the entrepreneurship support infrastructure. The Israeli Chamber of Commerce and Industry is of primary importance to potential customer respondent group (the founder of the Association of New Entrepreneurs), MATI is of primary importance to its real customers (clients) whilst the Ministry of Immigrant Absorption is of primary importance to the businessmen respondent group (from which a majority of the loans acquired by this group were obtained). Preliminary observations may be made that the respondent evaluation of the relative importance of organizations supporting entrepreneurial initiatives depends to a significant extent on the awareness of respondents and the information made readily available.

As regards acquaintance with SBDCs ("MATI"); 30% of the respondents had no prior knowledge of the Center prior to our questionnaire. This is considerable in light of the fact that a large proportion of the sample are real customers. A high proportion of the respondent group (60%) and a considerable proportion of real customers (over 40%) were unaware of the nature of the support provided by SBDCs ("MATI"). Only a modest proportion of the overall respondent group and, surprisingly, of real customers were aware of the non-profit character of the SBDC("MATI") organization. *This lack of public awareness about SBDCs ("MATI") implies insufficient advertising and publicity of the Center and its operations.*

The perceived need for small business advice services was considerable. *Overall, 45% of respondents and 64% of real customers expressed a need for assistance to facilitate the pursuit of entrepreneurial activities.* We can conclude that third hypothesis about immigrant demand of entrepreneurial support is only partly

true, as in the same time most of the start-up businessmen have believed that they could have successfully started-up in business without external help.

The forth hypothesis, that SBDC ("MATT") services are suitable for immigrant demands is the most problematic. All of the female respondents and a considerable proportion of real customers (33%) and businessmen (40%) evaluated the quality of SBDC assistance as inadequate. From the commentary included in the questionnaires it *would appear that those respondents with a high level of education (16% with Ph.D.) have higher expectations of the quality of small business support services.* On the basis of these results, the suitability of the services provided for the needs of new immigrants and specifically the special groups of women and those with existing businesses must be questioned. Clearly, any subjective evaluation is influenced by the experience and perception of the individual and as such may not be taken as a qualified evaluation of performance. Nevertheless, whether it be an issue of unrealistic expectations due to misinformation, a negative response from an unsympathetic consultant or the unsuitability of services, the characteristics of this negative response must be further examined.

The quality of business consultation may be associated with the level of information available. *From the respondent commentaries, most of the real customers remarked upon the need for a data base of existing businesses. A lack of information concerning local economic development was the most significance criticism of real customers.* In this respect, many real customer respondents fear that evaluation by the SBDC ("MATT") business consultant (the second filter) is not sufficiently objective, and is based too much on the subjective opinion of the consultant himself. From the respondent group of real customers, 15% rated the level of services they received from the Center to be of a high standard, 25% of a reasonable standard and 33% of the group thought the level of services to be insufficient. Among the group of real customers only 18% thought that they had received the help they expected. The main criticisms related to the level of Center bureaucracy and the insufficient quality of business consultations.

To the Center's credit, respondents commented that it was extremely difficult for immigrants to receive small business loans without Center assistance, other than Ministry of Immigrant Absorption loans. This provides a less subjective indication of the quality of the services provided by the SBDC ("MATT") as it relates to a short term success rate and a tangible resource (i.e. capital). Interestingly, bureaucratic problems encountered by the respondent group as a whole related mostly to the loan fund

procedures of the Ministry of Immigrant Absorption. Respondents who had been awarded business loans by the fund complained about the long implementation period of six to eight months. As a result, a number of small enterprises stated that they had been unable to start-up or had failed. New credit policy of Ministry of Immigrant Absorption solved this problem.

A majority of the respondents commented that they believed that the financial burden of the current policy of free business consultation leads to a lower standard of service. Accordingly, 12% of real customers suggested that Center business consultations should be priced at full market rates, 30% favored a symbolic charge whilst 37% of real customers preferred the current policy of free consultation. Again, the subjective evaluation of clients must be considered in the context of their experience and expertise. The conclusion may be drawn again, however, that for reasons that must be determined, the new immigrant clients were dissatisfied with the nature of services provided.

Only 25% of business owners believed that the assistance received from the Center and other sources contributed to the success of their business. Again, subjective evaluations of the extent to which assistance is required depends on the expertise of the respondent. A factor that must be considered is the awareness of the respondents and the possible need for entrepreneurial education. Indeed, many of the SBDCs provide and require their clients to attend entrepreneurship courses. The extent to which a lack of awareness of relevant issues influences assistance evaluation and the implementation of advice given merits further investigation.

In response to hypothesis 4, it may be suggested that the services provided by the Center are "perceived" as unsuitable by a considerable proportion of the respondent group. The basis for the evaluations made must be determined before conclusive comments may be made. *The absolutely negative response of female real customers does allow for the observation, however, that regardless of the subjective nature of the evaluation, it is highly probable that the needs of this group are either uncovered for or misconstrued.* Results suggest that in the best scenario public awareness and the availability of information regarding the SBDCs ("MATI") must be improved. The extent to which SBDC ("MATI") services are unsuitable for immigrant populations and special interest groups may also be inferred and requires further investigation.

6. Recommendations

On the basis of recent research the following recommendations may be proposed for SBDC("MATI"):

1. The development of information services suitable to the interests of real and potential customers is the real task today.

The results from the respondent group suggest that both real and potential customers do not fully understand the function of MATI. This would suggest that the quality and extent of the information transmitted to the public in the form of advertising and press releases is not sufficient.

Real customer commentaries included recommendations that a data-base of local economic information including existing local businesses would greatly improve the quality of the consultancy services provided.

2. Level of business-consultation is of main significance for real and potential customers of "MATI" services. Business-consultants must have the possibility to increase their qualification knowledge. In this case courses of business management and human resource management will be the important part of their professional career.

On the basis of commentaries obtained from real customers, a lack of objective information in the evaluation of the business consultant is apparent. Many highly educated respondents complained that there was a lack of objective information to support the advice and evaluation of the MATI business consultants.

3. Elaboration of special support policy for different immigrant groups, including youth, 45+, women, scientists and engineers with higher qualification, is of most actuality.

In terms of individual opportunity, self employment in the small firm sector provides a means of achieving independence, creative self-expression and socio-economic mobility. This is especially true for those groups restricted by socio-economic disparities. Various minority immigrants groups need the special entrepreneurial stimulation as they are of least business activity.

4. The Center business consultations should be priced at full market rates or at least a symbolic charge, as a majority of the respondents commented that they believed that the financial burden of the current policy of free business consultation leads to a lower standard of service.

5. Russian language is remaining the more preferable language for business consultations and courses.

Considering the high level of education of the sample, command of the Hebrew language is poor (only 36% of respondents can speak, read and write Hebrew). According literature¹⁹ such situation is typical for immigrant entrepreneurs.

6. Real and potential customer of "MATI" services prefer bigger centers with more technical support/ resources and a higher professional level than many small "weak" centers have had. Furthermore, need connect similar centers in Russia as they already work with similar populations- also for business connections (partners).

Considerable part of our recommendations already have been realized in the "MATI" Haifa. Advertising became the significant part of it's Russian language activities. Data Base of existing local businesses used the business information of all Haifa region. Level of business consultation has been increased at large extent. Special business, technical and scientific consultation turned to be the routinely procedure. The Center business consultations have been partly priced. Russian remained the principal language both for consultations and for business courses. The special business course for women is under preparation nowadays. The necessity of elaboration special support programs for other minority immigrant groups remains very important.

¹⁹ For reference see first part of recent report: Entrepreneurial theory and practice: immigrant opportunities, 3.3. Characteristics of immigrant entrepreneurship.

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